The Allocation Process for the Individuals with Disabilities Education Act Grants

I.   Program Overview

Federal support for special education dates to 1965 when the Elementary and Secondary Education Act (ESEA, P.L. 89-10) provided a plan for readdressing inequalities in the educational opportunities of American schoolchildren. The act provided statutory basis for the ESEA Amendments of 1965 (P.L. 89-313), which authorized federal grants to states to fund education for children with disabilities. This was the first federal grant program targeted specifically to these children. It was amended three more times in the 1960s. Other early revisions included the ESEA Amendments of 1970 (P.L. 91-230), which contained the Education of the Handicapped Act establishing grants for local education agencies (LEAs), now referred to as Part B, and the Education Amendments of 1974 (P.L. 93-280), which made the first mention of "an appropriate education for all children with disabilities."[1]

The framework for the current act was developed in 1975 under the Education for All Handicapped Children Act (EHA, P.L. 94-142). The EHA granted federal assistance to ensure free public education for all children with disabilities. The act also mandated the creation of Individualized Education Plans (IEPs) for every disabled child as well as gave rise to the concept of Least Restrictive Environments (LREs), which provide maximum opportunities for interaction with non-disabled peers. The EHA was amended in 1983, 1986, 1990 (which changed the name to the Individuals with Disabilities Education Act (IDEA)), 1992, and most recently in 1997.

The IDEA Amendments of 1997, Public Law 105-17 (P.L. 105-17), provide the current basis for federal assistance to state and local education agencies to meet several goals, including:

- "to ensure that all children with disabilities have available to them a free appropriate public education that emphasizes special education and related services designed to meet their unique needs and prepare them for employment and independent living";
- "to ensure that the rights of children with disabilities and parents of such children are protected";
- "to assist States, localities, educational service agencies, and Federal agencies to provide for the education of all children with disabilities";
- "to assist States in the implementation of…early intervention services for infants and toddlers with disabilities and their families";
- "to ensure that educators and parents have the necessary tools to improve educational results for children with disabilities…"; and
- "to assess, and ensure the effectiveness of, efforts to educate children with disabilities."[2]

IDEA maintains four types of funding designed for these purposes:
- Grants to States

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[1] Disabilities include autism, deaf-blindness, emotional disturbance, hearing impairment, mental retardation, multiple disabilities, orthopedic or other health impairment, specific learning disability, speech or language impairment, traumatic brain injury, and visual impairment.
[2] P.L. 105-17, Title I, Part A, Sec. 601(d). (Note: Unless specified, all other title, part, or section footnotes refer to the P.L. 105-17).

- Preschool Grants
- Grants for Infants and Families
- National Activities Grants.

The U.S. Department of Education's Office of Special Education Programs (OSEP) oversees IDEA programs. The Department of Education's National Center for Education Statistics (NCES) applies the formulas contained in the law to determine the allocations of IDEA grants.

In fiscal year 2002 (FY 02), Congress appropriated over $8.6 billion for IDEA programs. State education agencies (SEAs) received approximately $8.3 billion in the form of grants to states ($7,528,553), preschool grants ($390,000), and grants for infants and families ($417,000). National activities grants accounted for an additional $337,271 in funding. In total, the IDEA program served nearly 6.5 million children ages 3 through 21 and over 247,433 infants ages 2 and under during the 2001-02 school-year.[3]

II. Outline of IDEA Funds

A. Grants

For IDEA's purposes, the term "state" includes each of the 50 states, the District of Columbia, and the Commonwealth of Puerto Rico.

1. Grants to States
Grants to States constitute the bulk of IDEA funds and provide states with funds to distribute to LEAs.[4] States may retain a portion of these funds for activities such as mediation, training, technical assistance, personnel development, monitoring and complaint investigation, and the development and implementation of a state improvement plan.

2. Preschool Grants
Preschool Grants are given to states to distribute to LEAs to fund direct services for children, ages 3 to 5, with disabilities.[5]

3. Grants to Infants and Families
Grants to Infants and Families are distributed to states to provide early intervention services for children ages 2 and under[6] and their families, as well to establish and maintain a "statewide, comprehensive, coordinated, multidisciplinary, interagency system" to provide such services.[7]

4. Grants for National Activities
Grants for National Activities are awarded to states through a competitive process.[8] Grants for National Activities include:

- State Improvement Grants[9]

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[3] Statistics found at http://www.ideadata.org .
[4] Part B, Sec. 611.
[5] Part B, Sec. 619.
[6] Children receiving funds are those experiencing delays in cognitive development, physical development (including vision and hearing), communication development, social or emotional development, adaptive development, or have a diagnosed physical or mental condition with a high probability of resulting in developmental delay.
[7] Part C, Sec. 633 and 638.
[8] Part D.

- Research and Innovation Grants[10]
- Technical Assistance and Dissemination Grants[11]
- Personnel Preparation Grants[12]
- Parent Information Center Grants[13]
- Grants for Technology and Media Services[14]

Grants for National Activities are not based on a formula. To receive such grants, states must submit applications to the secretary of education based on the criteria outlined in IDEA.

B. Set-asides

Set-asides are funds deducted from the appropriation for each grant prior to the calculation of state allotments. The following set-asides are contained in the IDEA law:

1. For Grants to States

- **Outlying Areas and Freely Associated States** receive funds, reserved by the secretary of education, of up to 1 percent of the appropriation for State Grants.[15] Under IDEA, outlying areas include Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands. Funding is distributed among the outlying areas according to their respective populations of 3-to 21-year-olds. Freely Associated States – the U.S. Virgin Islands, Palau, Marshall Islands, and the Federated States of Micronesia[16] – are eligible to receive funds through a competitive process determined by the Pacific Region Educational Laboratory in Honolulu, Hawaii.
- **Funds for Studies and Technical Assistance** are reserved by the secretary of education, equal to 0.05 percent of the appropriation for Part B (State Grants and Pre-School Grants) and Part C (Grants for Infants and Families).[17] Grants for studies and technical assistance were capped at $20 million in FY 98.[18] For each subsequent fiscal year, the cap is adjusted for inflation using the Consumer Price Index (CPI).
- **The secretary of the interior** receives 1.226 percent of the total appropriation for State Grants to assist the education of children ages 5-21 with disabilities on Indian reservations.[19]

2. For Pre-School Grants

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[9] Part D, Subpart 1.

[10] Part D, Subpart 2, Ch. 1, Sec. 672.

[11] Part D, Subpart 2, Ch. 2, Sec. 685.

[12] Part D, Subpart 2, Ch. 1, Sec. 673.

[13] Part D, Subpart 2, Ch. 2, Sec. 682-684.

[14] Part D, Subpart 2, Ch. 2, Sec. 687.

[15] Sec. 611(b). According to this section, "the Secretary shall reserve not more than one percent…" of State Grant funds. Therefore the percentage of the total appropriation designated for set-asides changes from year to year.

[16] Includes Chuuk, Kosrae, Pohnpei, and Yap.

[17] Sec. 674(e).

[18] The actual wording of the IDEA law (Sec. 674(e)(2)) sets the cap at $20 million for the first fiscal year in which grants for studies and technical assistance exceeded this amount. This occurred in FY 98. In FY 01 and FY 02, these funds were reserved solely from the congressional appropriation for state grants. No funding was reserved for studies and technical assistance under sec. 619 (Pre-School Grants) or sec. 643 (Grants for Infants and Families).

[19] Sec. 611(c) and Sec. 611(i)(1)(A).

- **Studies and Technical Assistance** are funds, reserved by the secretary of education, of up to 0.05 percent of the appropriation for Part B (State Grants and Pre-School Grants) and Part C (Grants for Infants and Families). Grants for Studies and Technical Assistance were capped at $20 million in FY 98.[20] The cap is adjusted for inflation using the CPI for each subsequent fiscal year.

3. Grants for Infants and Families

- **Outlying Areas** receive funds, reserved by the secretary of education, of up to 1 percent of the appropriation for Part C (Grants for Infants and Families). The secretary of education distributes these funds based on a determination of each area's respective needs.[21]
- **The secretary of the interior** receives 1.25 percent of the appropriation to distribute to Indian tribes, tribal organizations, or consortia of the two for the provision of intervention services to children ages 2 and under with disabilities and their families.[22]
- **Studies and Technical Assistance** are funds, reserved by the secretary of education, of up to 0.05 percent of the appropriation for Part B (State Grants and Pre-School Grants) and Part C (Grants for Infants and Families). Grants for Studies and Technical Assistance were capped at $20 million in FY 98.[20] The cap is adjusted for inflation using the CPI for each subsequent fiscal year.

III. Eligibility Requirements for IDEA Funds

Eligibility requirements vary for each type of IDEA grant.

- **State Grants and Pre-School Grants**

    All states are eligible to receive State and Pre-School Grants. To receive a grant, a state must demonstrate, to the satisfaction of the secretary of education, its adherence to the requirements outlined in Sec. 612.

- **Grants for Infants and Families**

    All states are eligible to receive Grants for Infants and Families. To receive a grant, a state must demonstrate, to the satisfaction of the secretary of education, provision of appropriate early intervention services to all children ages 2 and under with disabilities in accordance with the requirements outlined in Sec. 634. States must also maintain a statewide monitoring and evaluation system in accordance with section 635.

- **Grants for National Activities**

    Grants for National Activities are awarded through a competitive process subject to the eligibility requirements outlined in Sec. 652. Grants may be made to a variety of entities including SEAs, LEAs, institutions of higher education, public agencies, and nonprofit

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[20] Sec. 674(e).
[21] Sec. 643(a)(1).
[22] Sec. 643(b)(1).

organizations.[23] The secretary of education determines the application procedures and distribution of these grants.

IV. Calculating Allocation Amounts

Funds for parts B and C are distributed according to formulas set by Congress. There are three grants are administered this way: (1) State Grants, (2) Pre-School Grants, and (3) Grants for Infants and Families. Separate congressional appropriations determine the amount of funding for these grants.[24] The appropriation minus the set-aside amounts is the *distribution amount.* This is the amount of IDEA funding distributed to states.[25]

A state's share of the distribution amount is determined by a grant formula and is known as its *initial allotment.* However, IDEA generally maintains provisions dictating *minimum* and *maximum allocations* that a state may receive for a particular grant. Therefore, a state's *initial allotment* may need to be adjusted and, therefore, may not equal the amount it actually receives, which is its *allocation.* This adjustment is called either a *ratable increase* or *ratable reduction*. A *ratable increase* distributes funds that remain after some states' formula allocations have exceeded their permissible *maximum allocation* amount. When this occurs, these states' allocations are capped at exactly their *maximum allocation* amount. The remaining funds are then distributed among states whose formula allocations did not exceed their respective *maximum allocation* amount. This distribution is based on the ratio of each remaining state's *initial allotment* to that of the *initial allotments* of all remaining states. A *ratable reduction* distributes funds that remain after some states have been "floored" (i.e. set) at their *minimum allocation* among the states not floored at their *minimum allocation* based on the ratio of their *initial allotments* to that of the *initial allotments* of all remaining states.

State allocations are calculated differently for each IDEA grant.

A. State Grants

The formula used to calculate states' allotments depends on the size of the current appropriation relative to the previous fiscal year's appropriation.

1. **If the appropriation exceeds that of the previous fiscal year**, a state's allotment is equal to: a.) the sum of the amount it received in the base year (FY 99); b.) plus 85 percent of the additional amount based on the state's proportion of 3-21[26] year-olds to all states; c.) plus 15 percent of the additional amount based on the state's proportion of such individuals living in poverty to all states.[27]

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[23] Sec. 661(b)(1)

[24] For more information on the congressional budget process as it pertains to education spending, see *Budget Process in the U.S. Department of Education*, http://www.ed.gov/offices/OUS/budpro2.html.

[25] This distribution amount does not include any set aside money that may be distributed to states.

[26] According to sec. 611(e)(A)(i)(II) funds are allocated to states, "on the basis of their relative populations of children aged 3 through 21 who are of the same age as children with disabilities for whom the State ensures the availability of a free appropriate public education…" For the majority of states this includes individuals aged 3 through 21. However, a few states offer educational services for the disabled to different age ranges (i.e., 3-18 or 3-20). Therefore, when calculating a state grant allocation, one must include only those individuals in the age range for which the state offers such education.

[27] Sec. 611(e)(3)(A)(i).

a. No state can receive less than the amount it received during the previous fiscal year;[28] and

b. No state can receive less than the <u>largest</u> of the following:

    i. The amount the state received in the base year, <u>plus</u> 1/3 of 1 percent of the amount by which the current appropriation exceeds the base year appropriation;[29]

    ii. The amount the state received during the previous fiscal year, <u>plus</u> the amount the state received during the previous fiscal year multiplied by the amount by which the increase in the current appropriation over the previous fiscal year's appropriation exceeds 1.5 percent;[30]

    iii. The amount the state received during the previous fiscal year, <u>plus</u> that amount multiplied by 90 percent of the percentage increase in the current appropriation from the previous appropriation. [31]

c. No state can receive more than the amount it received during the previous fiscal year <u>plus</u> that amount multiplied by 1.5 percent of the percentage increase in the appropriation from the previous fiscal year.[32]

2. **If the appropriation does not exceed that of the previous fiscal year but is larger than the base year appropriation**, a state's allotment is equal to the sum of the amount it received in the base year and an additional amount equal to the proportion of funds the state received in the preceding fiscal year.[33]

3. **If the appropriation is equal to or less than the base year appropriation**, a state's allotment is equal to its base year allotment or determined by *ratably reducing* the appropriation in proportion to the base year allotments.[34]

B. Pre-School Grant

Pre-School Grants depend on the size of the current appropriation relative to the previous fiscal year's appropriation.

1. **If the appropriation exceeds that of the previous fiscal year**, a state's allotment is equal to: a.) the sum of the amount it received in FY 97; b.) plus 85 percent of the additional amount based on the states' proportion of 3-5 year-olds to the number of 3-5 year-olds in all states; c.) plus 15 percent of the additional amount based on the proportion of such individuals living in poverty to all states.[35]

a. No state can receive less than the amount it received during the previous fiscal year;[36] and

b. No state can receive less than the <u>largest</u> of the following:

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[28] Sec. 611(e)(3)(B)(i).
[29] Sec. 611(e)(3)(B)(ii)(I).
[30] Sec. 611(e)(3)(B)(ii)(II).
[31] Sec. 611(e)(3)(B)(ii)(III).
[32] Sec. 611(e)(3)(B)(iii).
[33] Sec. 611(e)(4)(A).
[34] Sec. 611(e)(4)(B).
[35] Sec. 619(c)(2)(A).
[36] Sec. 619(c)(B)(i).

      i. The amount the state received in FY 97 <u>plus</u> 1/3 of 1 percent of the amount by which the current appropriation exceeds the base appropriation for FY 97;[37]

      ii. The amount the state received during the previous fiscal year, <u>plus</u> the amount the state received during the previous fiscal year multiplied by the amount by which the increase in the current appropriation over the previous fiscal year's appropriation exceeds 1.5 percent;[38]

      iii. The amount the state received during the previous fiscal year, <u>plus</u> that amount multiplied by 90 percent of the percentage increase in the current appropriation from the previous appropriation.[39]

   c. No state can receive more than the amount it received during the previous fiscal year <u>plus</u> that amount multiplied by the sum of 1.5 percent and the percentage increase from the previous fiscal year appropriation.[40]

2. **If the appropriation does not exceed that of the previous fiscal year but is larger than the FY 97 appropriation**, a state's allotment is equal to the sum of the amount it received in FY 97, and an additional amount equal to the proportion of funds the state received in the preceding fiscal year.[41]

3. **If the appropriation is equal to or less than the FY 97 appropriation**, a state's allotment is equal to its base year allotment or determined by ratably reducing the appropriation in proportion to the FY 97 allotments.[42]

C. Grants for Infants and Families

Allotments are based on the proportion of state's population of children under 3 years of age to the number of children under 3 years in all states.[43] No state can receive less than the greater of (1) 0.05 percent of the *distribution amount*, or (2) $500,000.[44]

V. Allocation Process

Once Congress has appropriated IDEA funds for the fiscal year, the Department of Education's Budget Office determines the amount of money to be reserved for set-asides (see Part II.B.) and the amount to be distributed for each of the various National Activities Grants (see II.A.). The NCES determines the specific allocation amounts to the individual states for each grant. What follows is a detailed explanation of NCES's data-processing procedures.

A. Data Preparation

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[37] Sec. 619(c)(B)(ii)(I).
[38] Sec. 619(c)(B)(ii)(II).
[39] Sec. 619(c)(B)(ii)(III).
[40] Sec. 619(c)(B)(iii).
[41] Sec. 619(3)(A).
[42] Sec. 619(3)(B).
[43] Sec. 643(c)(1).
[44] Sec. 643(c)(2).

NCES receives the data needed to calculate IDEA allocations from the U.S. Department of Commerce.[45] Listed below are the needed data elements, the sources of such data, and the date the data are available from these sources.

Data Element	Data Source	Date Available From Source
State populations of children through age 21, by single age-year	Current Population Survey Annual Demographic Survey (March Supplement) U.S. Census Bureau/U.S. Bureau of Labor Statistics http://www.bls.census.gov/cps/cpsmain.htm	Annually in September
State populations of children through age 21, living in poverty, by single age-year	Current Population Survey Annual Demographic Survey (March Supplement) U.S. Census Bureau/U.S. Bureau of Labor Statistics http://www.bls.census.gov/cps/cpsmain.htm	Annually in September
State populations of children through age 21, by single age-year	Annual Estimates from the Decennial Census U.S. Census Bureau http://www.census.gov	Annually (Use most recent available.)
3-21 year-old populations for Outlying Areas and Puerto Rico	International Data Base (IDB) U.S. Census Bureau http://www.census.gov/ipc/www/idbsum.html	Sporadically (Use most recent available.)
Puerto Rican 5-17 year-old population living in poverty	Small Area Income and Poverty Estimates (SAIPE) U.S. Census Bureau http://www.census.gov/hhes/www/saipe.html	Sporadically (Use most recent available.)

B. Allocation Procedure

1. Grants to States

- **If the appropriation exceeds that of the previous fiscal year:**

    1. Enter current, previous FY, and base year (FY 99) appropriations into spreadsheet.[46]
    2. Contact U.S. Department of Education's Budget Office to determine what percentage of the current appropriation for State Grants will be used for set-asides to outlying areas and how much funding will be awarded to freely associated states under Sec. 611(b)(2).
    3. Multiply this percentage by the current appropriation to determine the dollar amount devoted for set-asides to outlying areas.
    4. Enter the population of 3-21 year-olds for outlying areas into spreadsheet.

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[45] The IDEA law does not specify which data are to be used to calculate formula grants. According to Sec. 611(e)(3)(A)(ii) for State Grants and Sec. 619(C)(A)(ii) for Pre-School Grants, "the Secretary shall use the most recent population data, including data on children living in poverty, that are available and satisfactory to the Secretary." The data described in this section were being used prior to FY 02 to calculate the IDEA formula grants.
[46] Previous fiscal year and base year appropriations and allocations and current fiscal year appropriations can be obtained from the Department of Education's Budget Office or at http://www.ed.gov/offices/OUS/budget.html.

5. Distribute the dollar amount calculated in Step 3 based on the proportion of each states population from Step 4 the total population of all states.
6. Multiply the current appropriation by 0.01226 to determine the amount of funding set-aside for the secretary of the interior.
7. Subtract (a.) the dollar amount used for set-asides to outlying areas, (b.) the amount of funding given to freely associated states, and (c.) the amount of funding given to the secretary of the interior from the current appropriation. The balance is the *distribution amount.*
8. In a single column, create a row for each state, the District of Columbia, and Puerto Rico.
9. In an adjacent column, enter the age range for which each state offers IDEA services to children with disabilities.[47]
10. In consecutive columns enter (a.) the number of individuals falling in the age range entered in Step 9 for each state and (b.) the number of such individuals living in poverty using data from the Current Population Survey. [48]
11. In the next column, calculate the *poverty percentage* for each state by dividing (a.) the number of individuals living in poverty within each state by (b.) the total number of individuals living in poverty from Step 10.[49]
12. In the next column, enter the corresponding number of total individuals from step 10 using estimates from the Decennial Census.
13. Multiply the poverty percentage calculated in Step 11 by the number of individuals from the Decennial Census entered in Step 12 and place the results in the next column.
14. In next column, enter the amount of the State Grant received in the base year for each state.[50]
15. In the next column calculate each state's *initial allotment.* A state's initial allotment equals:

$$BY + [0.85(DA - \Sigma BY)(POP) + 0.15(DA - \Sigma BY)(POV)]$$

where:

BY = State base year allocation
DA = Distribution amount
ΣBY = Sum of base year allocations for all states
POP = Percent of individuals from Decennial Census entered in Step 12
POV = Percent number of individuals living in poverty from Step 13

16. Before proceeding, confirm that the sum of the total *initial allotments* for all states equals the *distribution amount* determined in Step 7.
17. In the next four columns, enter or calculate the following *minimum allocations*:

Minimum #1: State's previous FY allocation. [51]

Minimum #2:[52] $BY + 0.0033 (CA - BA)$

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[47] Do not include children eligible for assistance under Grants for Infants and Families (i.e., children ages 2 and under).
[48] See "Special Rule for Puerto Rico," Appendix A.
[49] To compute the percentage, multiply the resulting amount by 100.
[50] See Appendix for amounts.
[51] See Appendix B.
[52] When computing actual amount, use a minimum of 15 decimal places (e.g., 0.003333333333333)

where:

BY = State base year allocation
CA = Current appropriation
BA = Base year appropriation

Minimum #3: $PFY + PFY\,[(CA - PA)/PA - 0.015]$

where:

PFY = Previous FY state allocation
PA = Previous FY appropriation

Minimum #4: $PFY + PFY\,[((CA - PA)/PA)\,0.9]$

18. In the next column, enter the largest of these four amounts for each state.
19. In the next column, calculate the *maximum allocation* for each state, which is equal to:

$PFY + PFY\,[(CA - PA)/PA + 0.015]$

where:

PFY = Previous FY state allocation
CA = Current FY appropriation
PA = Previous FY appropriation

20. Check for states whose *minimum allocation* from Step 18 is greater than their *maximum allocation* from Step 19. Where this occurs, the state's final allocation is equal to its *maximum allocation*.
21. Next, compare each state's *initial allotment* from Step 15 with its *minimum allocation* from Step 18 and its *maximum allocation* from Step 19.
22. If a state's *initial allotment* is below its *minimum allocation,* set its allocation to its minimum. If a state's initial allocation is above its *maximum allocation*, set its allocation at its maximum.
23. For all states whose initial allotment is unaffected by their *minimum* or *maximum allocation*, recalculate their allotment according to *ratable reduction* or *ratable increase* (explained in part IV).
24. Determine if any state's recalculated allotment violates either its *minimum allocation* or *maximum allocation* from Steps 18 and 19, respectively.
25. Repeat Step 23 until no state's allotment is below the *minimum allocation* or above its *maximum allocation* and the results of Step 21 are identical for two successive runs.
26. For each state whose allotment falls between its *minimum* and *maximum allocations*, their allotment equals their final allocation.

- **If the appropriation does not exceed that of the previous fiscal year but is larger than the base year appropriation:**

1. Enter current appropriation into spreadsheet.
2. Contact U.S. Department of Education's Budget Office to determine what percentage of the current appropriation for State Grants will be used for set-asides to outlying areas and how much funding will be awarded to freely associated states under Sec. 611(b)(2).

3. Multiply this percentage by the current appropriation to determine the dollar amount devoted for set-asides to outlying areas.
4. Enter the population of 3-21 year-olds for outlying areas into spreadsheet.
5. Distribute the dollar amount calculated in Step 2 on the basis of these populations.
6. Multiply the appropriation by 0.01226 to determine the amount of funding set-aside for the secretary of the interior.
7. Subtract (a.) the dollar amount used for set-asides to outlying areas, (b.) the amount of funding given to freely associated states, and (c.) the amount of funding given to the secretary of the interior from the current appropriation. This is the *distribution amount.*
8. In a single column, create a row for each state, the District of Columbia, and Puerto Rico.
9. In the next column, enter the base year allocation (*BY*) for each state.
10. In the next column, enter the previous fiscal year's allocation (*PFY*) for each state.
11. In the next column, subtract the base year allocation in Step 9 from the previous fiscal year's allocation in Step 10 for each state. Sum these amounts for all states.
12. Next, for each state, calculate the percentage of the amount derived in Step 11 relative to the sum for such amounts for all states. The equation for this is as follows:

$$\frac{PFY - BY}{\Sigma(PFY - BY)}$$

where:

PFY = State previous fiscal year allocation
BY = State base year allocation

13. Multiply the resulting percentage for each state derived in Step 12 by the sum of all state amounts from Step 11.
14. For each state, add the amount derived in Step 13 to its base year allocation. These are the final allocations for each state.
15. Check that the sum of the final allocations for each state from Step 14 equal the distribution amount calculated in Step 7.

- **If the appropriation is equal to or less than the base year appropriation:**

1. Enter current appropriation into spreadsheet.
2. Contact U.S. Department of Education's Budget Office to determine what percentage of the current appropriation for State Grants will be used for set-asides to outlying areas and how much funding will be awarded to freely associated states under sec. 611(b)(2).
3. Multiply this percentage by the appropriation to determine the total amount (in dollars) devoted for set-asides to outlying areas.
4. Enter the population of 3-21 year-olds for outlying areas into spreadsheet.
5. Distribute the dollar amount calculated in Step 2 on the basis of these populations.
6. Multiply the appropriation by 0.01226 to determine the amount of funding set-aside for the secretary of the interior.
7. Subtract (a.) the dollar amount used for set-asides to outlying areas, (b.) the amount of funding given to freely associated states, and (c.) the amount of funding given to the secretary of the interior from the current appropriation. This is the *distribution amount.*
8. In a single column, create a row for each state, the District of Columbia, and Puerto Rico.
9. In the next column, enter the base year allocation for each state.

10. *Ratably reduce* these amounts based on the proportion of funding each state received in the base year so that the sum of the allocations for all states equals the *distribution amount* from Step 7.

2. Pre-School Grants

- **If the appropriation exceeds that of the previous fiscal year:**

1. Enter current, previous FY, and FY 97 appropriations into spreadsheet.
2. Contact U.S. Department of Education's Budget Office to determine the amount of the current appropriation for Pre-School Grants that will be set aside for studies and evaluations under section 674(e).
3. Subtract the set-aside amount in Step 2 from the current appropriation in Step 1 to determine the *distribution amount.*
4. In a single column, create a row for each state, the District of Columbia, and Puerto Rico.
5. In the next column, enter "Yes" if the state is eligible under section 612 to receive a Pre-School Grant and if the state makes a free, appropriate education to all children with disabilities, aged 3 through 5. Otherwise, enter "No."[53]
6. In consecutive columns enter (a.) the number of individuals aged 3 through 5 in each state and (b.) the number of such individuals living in poverty using data from the Current Population Survey.[48]
7. In the next column, calculate the *poverty percentage* for each state by dividing (a.) the number of 3-to 5-year-olds living in poverty by (b.) the total number of 3-to 5-year-olds from Step 6.[48,54]
8. In the next column, enter the corresponding number of total 3-to 5-year-olds from step 6 using estimates from the Decennial Census.
9. Multiply the *poverty percentage* calculated in Step 7 by the number of individuals from the Decennial Census entered in Step 8 and place the results in the next column.
10. In next column, enter the amount of the Pre-School Grant received in FY 97 for each state.[50]
11. In the next column calculate each states' *initial allotment.* A state's initial allotment equals:

$$FY97 + [0.85(DA - \Sigma FY97)(POP) + 0.15(DA - \Sigma FY97)(POV)]$$

where:

DA = Distribution amount
POP = Percent of individuals aged 3 through 5 from Decennial Census entered in Step 8
POV = Percent of individuals living in poverty from Step 9

12. Before proceeding, confirm that the sum of the total *initial allotments* for all states equals the *distribution amount* determined in Step 3
13. In the next four columns, enter or calculate the following *minimum allocations*:

Minimum #1: State's previous FY allocation[51]

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[53] Contact the Department of Education's Budget Office for information on state eligibility.
[54] To compute the percentage, multiply the resulting amount by 100.

Minimum #2:[55] $FY97 + 0.0033 (CA - FY)$

Where:

$FY97$ = State FY 97 allocation
FY = FY 97 year appropriation

Minimum #3: $PFY + PFY [(CA - PA)/PA - 0.015]$

Minimum #4: $PFY + PFY [((CA - PA)/PA) 0.9]$

14. In the next column, enter or calculate the largest of these four amounts for each state.
15. In the next column, calculate the *maximum allocation* for each state, which is equal to:

$$PFY + PFY [(CA - PA)/PA + 0.015]$$

16. Check for states whose *minimum allocation* from Step 14 is greater than their *maximum allocation* from Step 15. Where this occurs, the state's final allocation is equal to its *maximum allocation*.
17. Next, compare each state's *initial allotment* from Step 11 with its *minimum allocation* from Step 14 and its *maximum allocation* from Step 15.
18. If a state's *initial allotment* is below its *minimum allocation,* set its allocation to its minimum. If a state's initial allocation is above its *maximum allocation*, set its allocation at its maximum.
19. For all states whose initial allotment is unaffected by their *minimum* or *maximum allocation*, recalculate their allotment according to *ratable reduction* or *ratable increase* (explained in part IV).
20. Determine if any state's recalculated allotment violates either its *minimum allocation* or *maximum allocation* from Steps 14 and 15 respectively.
21. Repeat Step 19 until no state's allotment is below its *minimum allocation* or above its *maximum allocation* and the results of Step 20 are identical for two successive runs.
22. For each state whose allotment falls between its *minimum* and *maximum allocations*, their allotment equals their final allocation.

- **If the appropriation does not exceed that of the previous fiscal year but is larger than the FY 97 appropriation:**

  1. Enter current appropriation into spreadsheet.
  2. Contact U.S. Department of Education's Budget Office to determine the amount of the current appropriation for Pre-School Grants that will be set-aside for studies and evaluations under section 674(e).
  3. Subtract the set-aside amount in Step 2 from the current appropriation in Step 1 to determine the *distribution amount.*
  4. In a single column, create a row for each state, the District of Columbia, and Puerto Rico.
  5. In the next column, enter the FY 97 allocation for each state.
  6. In the next column, enter the previous fiscal year's allocation (*PFY*) for each state.
  7. In the next column, subtract the FY 97 allocation in Step 5 from the previous fiscal year's allocation in Step 6 for each state. Sum these amounts for all states.

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[55] When computing actual amount, use a minimum of 15 decimal places (e.g., 0.003333333333333)

8. Next, for each state, calculate the percentage of the amount derived in Step 7 relative to the sum for such amounts for all states. The equation for this is as follows:

$$\frac{PFY - FY97}{\Sigma(PFY - FY97)}$$

9. Multiply the resulting percentage for each state derived in Step 8 by the sum of all state amounts from Step 7.
10. For each state, add the amount derived in Step 9 to its base year allocation. These are the final allocations for each state.
11. Check that the sum of the final allocations for each state from Step 10 equals the distribution amount calculated in Step 3.

- **If the appropriation is equal to or less than the FY 97 appropriation:**

  1. Enter current appropriation into spreadsheet.
  2. Contact U.S. Department of Education's Budget Office to determine the amount of the current appropriation for Pre-School Grants that will be set-aside for studies and evaluations under section 674(e).
  3. Subtract the set-aside amount in Step 2 from the current appropriation in Step 1 to determine the *distribution amount.*
  4. In a single column, create a row for each state, the District of Columbia, and Puerto Rico.
  5. In the next column, enter the FY 97 allocation for each state.
  6. *Ratably reduce* these amounts based on the proportion of funding each state received in FY 97 so that the sum of the allocations for all states equals the *distribution amount* from Step 3.

3. Grants for Infants and Families

  1. Enter current appropriation into spreadsheet.
  2. Contact U.S. Department of Education's Budget Office to determine what percentage of the current appropriation for Grants for Infants and Families will be used for set-asides to outlying areas.
  3. Multiply this percentage by the appropriation to determine the total amount (in dollars) devoted for set-asides to outlying areas.
  4. Enter the population of children under age 3 for outlying areas into spreadsheet.
  5. Distribute the dollar amount calculated in Step 3 on the basis of these populations.
  6. Multiply 0.0125 times the appropriation to determine the amount of funding set-aside for the Secretary of the Interior.
  7. Subtract (a.) the dollar amount used for set-asides to outlying areas and (b.) the amount of funding given to the secretary of the interior from the original appropriation. This is the *distribution amount.*
  8. In a single column, create a row for each state, the District of Columbia, and Puerto Rico.
  9. In the next column, enter the population of children under age 3 for each state.[48]
  10. Calculate each state's *initial allotment* using the following formula:

  $$(POP/\Sigma POP) \times DA$$

  where:

  POP = State population of children under 3 years old

11. Confirm that the sum of the total *initial allotments* for all states equals the *distribution amount* determined in Step 7.
12. Calculate each state's *minimum allocation* as the greater of one-half of 1 percent of the appropriation [0.005 x *CA*] and $500,000. Enter this amount into the spreadsheet.
13. Next, compare each state's *initial allotment* from Step 10 with its *minimum allocation* from Step 12.
14. If a state's *initial allotment* is below its *minimum* set its allocation at the *minimum allocation* amount.
15. For all states whose initial allotment is unaffected by their *minimum* or *maximum allocation*, recalculate their allotment according to *ratable reduction* or *ratable increase* (explained in part IV).
16. Determine if any state's recalculated allotment violates its *minimum allocation* from Step 13.
17. Repeat Step 15 until no state's allotment is below the *minimum allocation* and the results of Step 15 are identical for two successive runs.
18. For each state whose allotment falls between its *minimum* and *maximum allocations*, their allotment equals their final allocation.

C. Reporting Allocation Results

Prepare a spreadsheet that lists all final allocation amounts for each state by grant and forward the results to the Department of Education's Budget Office (contact persons: Mark Snyderman or Gregory Frane (202) 401-3939).

Appendix A:

Special Rule for Puerto Rico

The Current Population Survey (CPS) does not provide population estimates, by age, for Puerto Rico. Therefore, to calculate the *poverty percentage* for State and Pre-School Grants, one must use a different source. Population numbers for Puerto Rico, by age, described in Section V, are obtained from the Bureau of the Census's International Database (IDB) [http://www.census.gov/ipc/www/idbsum.html]. Age data provided by this source are grouped in 5-year intervals. To derive the totals used to allocate IDEA funds, it is necessary to perform an estimation based on a simple calculation. For instance, if one is trying to obtain the number of Puerto Rican 3 to 21 year-olds based on the following data in order to allocate State Grant funds[56]:

Age	Total (in thousands)
0-4	296
5-9	306
10-14	306
15-19	314
20-24	302

1) Divide 296 from the 0-4 age-group by 5 to get 59.2.
2) Multiply 59.2 by 2 (118.4) to obtain an estimate for 3-4 year-olds.
3) Divide 302 from the 20-24 age-group by 5 to get 60.4.
4) Multiply 60.4 by 2 (120.8) to obtain an estimate for 20-21 year-olds.
5) Add 118.4, 306, 306, 314, and 120.8 to obtain an estimate of 1165.2 for Puerto Rican 3 to 21 year-olds.

Poverty estimates for Puerto Rico are also not available from the CPS. Poverty estimates must be obtained from the Census Bureau's Small Area Income and Poverty Estimates (SAIPE). SAIPE provides estimates for both the number of 5-17 year-olds and the number of 5-17 year-olds living in poverty for Puerto Rico and other areas. Poverty data are not available for 3-4 year-olds and 18-21 year-olds, so instead the poverty numbers for the 5-17 age-group must be used as a proxy for the entire 3-21 year-old age-group. To calculate the *poverty percentage* for Puerto Rico in Section V, simply divide the number of 5-17 year-olds living in poverty from this source by the total population of 5-17 year-olds in Puerto Rico from the same source.

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[56] The same procedure can be used to estimate the population of 3-5 year olds and the population under 3 for the purpose of allocating Pre-School Grants and Grants for Infants and Families respectively.

Appendix B:

Fiscal Year 2002 IDEA Allocations
*As of January 30, 2003

State	Grants to States	Pre-School Grants	Grants to Infants and Families
Alabama	119,960,334	5,730,375	6,063,339
Alaska	22,199,605	1,294,380	2,043,288
Arizona	111,045,656	5,545,066	7,868,896
Arkansas	71,962,298	5,479,110	3,716,598
California	781,662,507	39,848,701	49,954,044
Colorado	94,048,771	5,073,769	6,132,874
Connecticut	89,245,788	5,009,888	4,478,645
Delaware	20,345,877	1,287,906	2,043,288
District of Columbia	10,229,967	253,905	2,043,288
Florida	405,878,306	18,917,454	19,235,683
Georgia	195,216,655	10,077,250	12,265,577
Hawaii	25,660,148	1,036,577	2,043,288
Idaho	34,533,972	2,233,491	2,043,288
Illinois	336,446,325	18,041,307	17,822,071
Indiana	170,853,119	9,088,983	8,666,617
Iowa	82,526,911	4,077,008	3,851,252
Kansas	70,893,325	4,426,665	3,884,393
Kentucky	104,503,321	10,431,998	5,461,452
Louisiana	119,376,775	6,628,385	6,549,059
Maine	36,989,288	2,567,159	2,043,288
Maryland	131,443,233	6,824,190	7,162,997
Massachusetts	191,890,947	10,103,890	8,078,494
Michigan	260,135,764	12,853,643	13,646,869
Minnesota	128,321,623	7,587,477	6,710,076
Mississippi	77,199,160	4,321,339	4,213,822
Missouri	153,553,541	6,171,495	7,568,706
Montana	23,559,507	1,215,398	2,043,288
Nebraska	50,475,888	2,306,907	2,400,219
Nevada	41,760,879	2,312,229	2,970,642
New Hampshire	32,080,256	1,591,180	2,043,288
New Jersey	244,340,509	11,621,386	11,405,544
New Mexico	61,594,953	3,256,045	2,682,058
New York	509,305,853	34,473,989	25,063,710
North Carolina	202,724,229	11,554,652	11,179,579
North Dakota	16,520,608	839,536	2,043,288
Ohio	288,468,284	12,874,725	15,361,800
Oklahoma	98,502,970	3,760,076	4,901,951
Oregon	86,394,113	3,960,512	4,544,414
Pennsylvania	281,508,625	14,293,994	14,662,818
Rhode Island	29,560,959	1,707,269	2,043,288
South Carolina	115,429,949	7,293,431	5,456,933
South Dakota	19,680,342	1,496,640	2,043,288
Tennessee	154,805,179	7,049,034	7,697,334

Texas	608,102,898	23,676,158	33,464,547
Utah	68,595,427	3,647,879	4,423,421
Vermont	15,929,020	892,952	2,043,288
Virginia	181,253,563	9,323,245	9,470,434
Washington	142,623,221	8,343,791	8,061,958
West Virginia	51,337,699	3,558,432	2,068,052
Wisconsin	140,599,055	9,674,989	6,961,718
Wyoming	16,711,120	1,090,450	2,043,288
American Samoa	5,236,455	0	616,106
Guam	12,651,196	0	1,364,398
Northern Mariana Islands	3,229,191	0	410,078
Puerto Rico	67,879,755	3,273,690	5,986,306
Virgin Islands	9,591,474	0	803,624
Palau	0	0	0
Marshall Islands	0	0	0
Micronesia	0	0	0
Indian Tribe Set Aside	79,377,301	0	5,148,148
Other (nonstate allocations)	22,579,306	0	0
Total	**7,528,533,000**	**390,000,000**	**417,000,000**